

IPA Integrated Resource Planning Workshop #3: Customer Cost Impacts Methodology

May 26, 2026

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Question 1

How should “commercial” versus “industrial” customer classes be defined for purposes of reporting customer cost impacts?

The IMA recommends that E3 define “commercial” and “industrial” customer classes by reference to the applicable utility tariff classifications, while also reporting more granular industrial impacts so that broad class averages do not mask material cost shifts to existing manufacturers. For purposes of the analysis, industrial customers should include manufacturing and other energy-intensive facilities taking service under large commercial and industrial, primary, high-voltage, or other demand-based delivery service classifications. Commercial customers should generally include non-manufacturing business customers, including office, retail, institutional, and smaller business loads. The IMA further recommends that E3 separately report impacts for industrial customers with materially different usage characteristics, including high-load-factor manufacturers, energy-intensive manufacturers, and large-load customers whose operations are less able to shift demand without affecting production. A single “industrial” average could obscure significant differences in bill impacts and intra-class cost shifting. The methodology should evaluate not only impacts across residential, commercial, and industrial classes, but also whether costs caused by new load growth, infrastructure upgrades, transmission investments, or policy-driven procurement are being shifted to existing manufacturers within the same customer class. Customer class definitions and reported impacts should be tied to cost causation and rate design, so stakeholders can understand how IRP scenario costs would actually be recovered from existing industrial customers and whether those customers receive proportional benefits from the investments being modeled.

Question 2

If “commercial” and “industrial” are defined using load thresholds, what threshold(s) do you recommend and why?

The IMA recommends that E3 avoid relying on a single load threshold to distinguish “commercial” from “industrial.” A single threshold is likely to be too blunt and may misclassify manufacturers with different operating characteristics, load factors, demand profiles, and rate-design exposure. If E3 insists on using load thresholds, we recommend using multiple industrial subcategories rather than one cutoff. At a minimum, E3 should separately evaluate: smaller C&I customers, medium-sized industrial customers, large industrial customers, and very large/load-intensive customers. The thresholds should be tied to the utility tariff structures and demand-based billing determinants used to recover costs from those customers, rather than an arbitrary statewide number. The IMA would also recommend that any threshold analysis account for peak demand, annual usage, load factor, service voltage, and rate schedule, not just monthly kW demand. Two customers with similar peak demand may have very different cost impacts depending on whether they operate continuously, seasonally, or with flexible load. For manufacturers, load factor and operational flexibility are particularly important because many facilities cannot shift production without affecting output, employment, or competitiveness. If E3 determines that specific thresholds are necessary, we recommend that they be selected to capture material differences in cost causation and rate impact, including whether a customer is served under secondary, primary, high-voltage, or other demand-based delivery service. The purpose should be to identify whether IRP-related costs are being fairly assigned to the customers causing those costs and to ensure that new load growth, infrastructure upgrades, transmission investments, or policy-driven procurement costs are not broadly shifted to existing manufacturers within the same class.

Question 3

For the stakeholder group(s) that you are representing in the IRP process, what are you hoping to learn from the cost impact analysis specific to the customer group you are interested in?

The IMA is primarily interested in understanding how different IRP scenarios will affect manufacturing customers, particularly existing industrial customers that are energy-intensive, have high load factors, operate on thin margins, and have limited ability to shift operations without affecting production. Specifically, IMA hopes the cost impact analysis will show how each scenario affects actual customer bills, not only total system costs or average class-level impacts. The analysis should identify expected impacts on delivery charges, supply costs, capacity costs, transmission costs, and other bill components that manufacturers ultimately pay. It should also show how those impacts vary over the near term, medium term, and long term. We are also interested in whether the analysis will identify potential cost shifting to existing manufacturers. A key concern is that costs associated with new load growth, transmission or distribution upgrades, resource procurement, electrification assumptions, or other policy-driven investments may be spread broadly across an industrial class even where existing manufacturers are not causing those costs or receiving proportional benefits. Class-level averages may obscure these intra-class impacts. Finally, the IMA hopes the analysis will help stakeholders understand the relationship between cost, reliability, and competitiveness. For manufacturers, electricity costs are not only a utility bill issue; they affect investment decisions, operating costs, production planning, and Illinois’ ability to retain and attract manufacturing jobs. The methodology should therefore provide enough

detail for stakeholders to evaluate whether IRP scenarios are affordable, reliable, and fairly allocated among customer groups.

Question 4

E3 proposes to estimate the future delivery revenue requirement by starting with the current delivery revenue requirement and applying a growth rate based on historical authorized revenue requirement increases over the past 10 years, along with modeled additions for new transmission and distribution investments. Do you believe this is a reasonable approach for projections?

Yes, but should be adjusted

Question 5

If “Yes, but should be adjusted” or “No” was selected in the previous question, what adjustment is most appropriate?

Align growth rate with recent multi-year rate plans (e.g., using recent approved increases as a forward-looking proxy)

Question 6

If “Use a different historical window” was selected in the previous question, what lookback period should be used to estimate the growth rate and why?

N/A

Question 7

Energy burden is defined as the percentage of a household's annual income spent on household energy bills. What baseline would be most useful for examining energy burden in the IRP (e.g., historical, business-as-usual, etc.)?

The IMA recommends using a business-as-usual baseline informed by recent historical data as the primary baseline for examining energy burden in the IRP. A business-as-usual baseline would be most useful because it allows stakeholders to compare IRP scenarios against a realistic forward-looking case, rather than only against past conditions. At the same time, recent historical data should be used to ground the analysis in actual household bills, usage patterns, income levels, and rate impacts. The baseline should also clearly identify which bill components are included, including supply, delivery, transmission, riders, taxes, fees, and other charges paid by customers. Without that level of detail, it will be difficult to determine whether changes in energy burden are being driven by resource decisions, delivery investments, transmission costs, fuel costs, policy programs, or other factors.

Question 8

Are there data sources available at the community or census-tract level in Illinois that should inform how EJ and equity investment eligible communities are identified and characterized?

N/A

Question 9

What are the most significant barriers to participation in existing programs for EJ and/or equity investment eligible communities, e.g. upfront costs, eligibility restrictions, lack of information, or structural factors like renter status?

N/A